

**TESTIMONY OF DEPUTY SECRETARY OF DEFENSE
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PREPARED FOR THE SENATE BUDGET COMMITTEE
2006 DEFENSE BUDGET REQUEST
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Mr. Chairman and Members of the Committee: Given the many difficult choices with which you are faced, I appreciate the opportunity to appear before this Committee to help you in your task by addressing the FY 2006 defense budget.

We are a nation at war. On September 11th, 2001, terrorists attacked this country in a way that American territory had never been attacked before, claiming lives on a scale that could only be compared with the devastation wrought at Pearl Harbor 60 years before. Along with our national loss, September 11th revealed another stunning threat: the possibility of far more terrible attacks, including those using weapons of mass destruction. Indeed, soon after September 11th, the U.S. Congress itself was attacked with military-grade anthrax.

Given the nature of terrorist networks and the secrecy with which they operate, no one can say for certain why America has not been attacked again in the last three years. What we can say with confidence is that the reason we have not been attacked again is not because terrorists haven't been trying. We know they have. But, we can also say with confidence that many plots and attempted attacks, both here and abroad, have been thwarted because of the continuing efforts of the United States and some 90 nations who are cooperating with us in the war on terrorism. The facets of this international cooperation are many and varied.

From a U.S. standpoint, this war involves all elements of America's power, including military force, but not solely or even primarily military force. Indeed, the various instruments of our national power, including intelligence, law enforcement and diplomacy, for example, serve to reinforce one another. But the contribution of the U.S. military has been indispensable to successes we have achieved so far.

While our efforts are still far from complete, we can point to certain significant milestones. For example, terrorists have lost their ability to train thousands of potential terrorists in camps that previously existed in Afghanistan and in northern Iraq. And while bin Laden and his top lieutenant Zawahiri are still on the loose, more than three-quarters of al Qaeda's key members and associates have been detained, captured or killed since September 11th. Bin Laden's access to resources and his ability to communicate with his confederates have been significantly constrained. And in the terror war which Bin Laden associate Abu Musab al-Zarqawi is waging against democracy in Iraq, al Qaeda is losing badly. Bin Laden also declared war on the recent Iraqi elections and warned that people who voted in the elections would be considered infidels deserving

slaughter. Some 8.5 million Iraqis answered his warning with defiance and determination, just as millions of Afghans defied al Qaeda and the Taliban last October.

Beyond the numbers of terrorists who have been killed or captured, or who live their lives on the run, something equally as important has happened.

In just the last three years alone, in regions some previously judged immune to the democratic spirit, there has been an extraordinary movement toward representative government—what President Bush has rightly called the ultimate weapon against the terrorists' bleak vision of death and despair.

Thanks in no small part to the efforts and sacrifices of American men and women in uniform, some 50 million people in Afghanistan and Iraq—most of them Muslims—are now themselves helping advance the cause of freedom in the Muslim world.

But, Afghans and Iraqis are not alone.

There seems to be a larger movement of the democratic spirit at work, and it has been due, in great measure, to the courage and commitment of brave and committed citizens themselves—in many cases, without the involvement of U.S. military force.

- Last September, for example, democracy triumphed in circumstances less dramatic perhaps than those in Afghanistan and Iraq, but no less important. Indonesia, the country with the largest Muslim population in the world, held its second successive free and fair election of a president, a milestone often considered a landmark on the road to democracy
- In January, the Palestinian Authority held an historic election that has produced new leadership that may finally deliver for the Palestinian people the state they have long deserved.
- In Lebanon, tens of thousands of people have come out to demonstrate in the wake of the assassination of former Prime Minister Rafiq Hariri. Despite clear risks to their safety, Lebanese people wanted to show their commitment to freedom for their country. As we saw just yesterday, the Syrian-backed government in Lebanon resigned under popular pressure.

And, of course, citizens were a powerful driving force for freedom in Afghanistan and in Iraq. In those cases, American soldiers proudly helped facilitate these two important elections—pointing to some of the key results of America's military investment in the region. But the one thing American soldiers couldn't do was vote. And that Afghans and Iraqis did with great courage and in enormous numbers.

While the military is not the only national instrument that has contributed to these important gains, its indispensable role is unquestionably the most expensive—in terms of

the resources it demands of the American taxpayer, and especially in terms of the sacrifices it demands of our men and women in uniform, including those who have made the ultimate sacrifice for our freedom and security.

Americans have wholeheartedly supported their military men and women who serve on the frontlines and at home to ensure they have the tools, the training, and the care they need. This Defense budget is primarily about them, about their future and ours as Americans.

It is in this context that the President has requested \$419.3 billion in discretionary budget authority for Department of Defense (DoD), a 4.8 percent increase from FY 2005. Combined with the supplemental, this request includes sufficient funding to sustain the President's pledges to defeat global terrorism, restructure America's armed forces and global defense posture, develop and field advanced war fighting capabilities, and provide for the needs of our forces.

The President's request reflects the decisions of DoD's senior civilian and military leaders as to how we can best meet current and future requirements. The President provided the Defense Department with a topline that steadily increases through FY 2011, reflecting what we believe to be the best plan for countering global security threats and developing and fielding capabilities to meet future dangers.

FY 2005 Supplemental Request

Before I discuss the 2006 budget request, I'd like to begin with a few words about the supplemental. The President has pledged that our troops will have what they need to fight and win this war on terror. The President's recent request for an additional \$74.9 billion in FY 2005 DoD supplemental appropriations—on top of the \$25 billion appropriations approved last August—keeps that solemn pledge. Rapid and full approval of the supplemental request is crucial to the Department's ability to meet our military requirements for the rest of this fiscal year.

Of critical importance, this supplemental provides significant resources to address wear and tear on our military equipment, to create a larger, more combat capable Army and Marine Corps, and to train and equip Iraqi and Afghan security forces to empower them to take the fight to the extremists and to help them take control of their future. I will briefly address each of these three topics.

Resetting the force. A high operating tempo is causing significant wear and tear on some of our war fighting equipment. The supplemental includes \$11.9 billion to reset or recapitalize the force, which is essential to ensuring military readiness. We have asked for \$3.2 billion for depot maintenance, \$5.4 billion to replace military items destroyed or expended during combat operations, and \$3.3 billion to improve protection of our forces.

Our commitment is to keep military units at full combat strength and provide them with the equipment they need to be ready when we need them.

Restructuring ground forces. The Department has made a major commitment to restructuring the Army—adding \$35 billion over 7 years (FY2005-2011) to the \$13 billion in the Army baseline budget.

Restructuring will increase the number of Army brigades and convert them into brigade combat teams (BCTs) that are capable of independent operations. Let me take a moment here to explain in a bit more detail what we mean when we talk about that conversion, what the Army terms “Army modularity”—a somewhat obscure phrase that belies its exciting implications.

In truth, what the Army is undertaking is a remarkable and fundamental transformation in the way it organizes and thinks about deploying forces.

The Department has made a major commitment to this type of restructuring for its ground forces, which is designed to do nothing short of adding more deployable units, creating a larger rotational base and increasing flexibility—thus relieving the strain on the Total Force by creating more deployable units.

The Active Army, for example, will expand from 33 maneuver brigades in FY 2003 to 43 BCTs in FY 2007. The current Army plan is to restructure the Army National Guard to reach 34 trained and ready BCTs by FY 2010. The most significant consequence of this expansion is that for any required level of overseas force deployment, active brigades will deploy less often and reserve maneuver brigades will be called up much less frequently.

The Army’s 3rd Infantry Division, for example, is the first to complete the transformation, going from three brigades into four independently deployable units. The division has just deployed to Iraq for the second time, where it is putting this new concept into practice. The 3rd ID relieved the 1st Cavalry Division, which will implement the same transformation when it returns to Fort Hood.

The recent history of the 3rd ID helps explain why we are funding the Army’s transformation in FY05 and FY06 from supplemental funds. As the 3rd ID redeployed from Iraq some 15 months ago, we simultaneously reset it from the wear and tear of combat, and transformed it from three brigades to four.

In FY 2005 and FY 2006, the Department proposes to fund Army restructuring through supplemental appropriations because acceleration of this effort is urgent and vital to the war on terror. The funds requested in supplementals will accelerate the restructuring of ground forces moving into theater and reset those forces rotating out of theater.

Thus, supplemental funding is critical because it addresses two urgent

requirements. First, it rapidly expands the operating size and combat power of the Army—making our forces more effective in the global war on terror and making their deployment more sustainable. Second, by creating a larger number of more capable brigades available for rotation, it significantly reduces the strain on our military units and troops. Beginning in FY 2007, we will request funding for restructuring in the baseline Army budget. By '07, we expect both the rotational strain on our troops to be less and our understanding of the costs of transformation to be more exact.

The Marine Corps is restructuring to add two active infantry battalions and other combat and support units—increasing its warfighting power and reducing stress on capabilities that are in high demand.

Train & equip. The supplemental also funds the vital strategic goal of training and equipping indigenous military and security forces in Iraq and Afghanistan. Building the capabilities of these countries' forces is essential to the long-term security and stability in both nations, and will enable them to become more self-sufficient and less reliant on U.S and coalition forces. I urge full funding of our request and creation of an Iraq Security Forces Fund and Afghanistan Security Forces Fund to provide the resources we need to train these forces so that they may take control of their own security needs.

Members of Iraq's security forces were willing participants in January's choice for freedom, and several bravely gave their lives to shield Iraqi voters from suicide bombers and insurgents. Their performance on the January 30 election day is visible and tangible evidence of the returns we are getting from our substantial investment in Iraqi security forces.

In a recent call with General Casey, he told us that, since the elections, Iraqi security forces have grown much more confident. As General Myers reported last week in his testimony before members of the House Appropriations Committee, on February 14th, some 8,000 to 10,000 men arrived at an airfield outside an Iraqi army base, hoping to join the army. And, as General Casey also told us, the Iraqi people have become more confident of an army made up Iraqi patriots who are their husbands, their daughters and their sons—some 1,400 police, soldiers and government officials who have died since Iraq's liberation. And millions of Iraqis can proudly claim themselves to have braved the terrorists' threats in order to take Iraq's future into their own hands.

Tsunami relief. The supplemental also requests funds to address recovery efforts in the wake of the December tsunami in Southeast Asia. We have an enormous stake in making sure that subsequent efforts build on the success we have already achieved. The President's request includes funding to rebuild vital infrastructure critical to strengthening economies and societies, especially in Indonesia's Aceh province, the area hardest hit.

The benefits of this assistance promise to extend far beyond Indonesia, especially as this emerging democracy seeks to join the community of free nations. A recent poll indicates that there has been a positive change in public opinion in the region, after people saw how Americans, especially service members, labored to bring them life-saving water, food and other supplies—ultimately helping avoid a larger humanitarian tragedy. I saw the efforts of the young sailors from the USS Lincoln, as did members of Congress. They were eager and enthusiastic volunteers, whose tireless and selfless efforts were truly inspiring.

We now have the opportunity—unfortunately born of terrible tragedy—to build on their wonderful work by helping Indonesia strengthen its democratic institutions as we help it rebuild its vital infrastructure. It is certainly in our interests to do so: If Indonesia, a country of almost 240 million people, with more than 15 percent of the world's Muslims, can demonstrate its capacity to develop democratic institutions, it will become the world's third largest democracy and, along with Turkey, it will be another example of success in the Muslim world—to be joined by Afghanistan and Iraq and hopefully others.

Such significant moves towards representative government in the Muslim world would be well worth America's investment.

Supporting the War on Terror: Balancing Difficult Choices and Making Smart Choices for the Future

Looking beyond the supplemental, the proposed FY 2006 budget is sizable, by historical standards, but it is a sustainable defense burden, especially compared to previous war-time periods. Americans may be assured, however, that we are balancing this budget request with some difficult choices among competing needs. Now we need Congress's support of those tough choices.

To get the most out of America's investment in defense, the budget reflects continuing work to restructure U.S. forces and our global defense posture and stateside basing—what we believe are smart choices designed to achieve more combat power without a commensurate increase in troops or funding.

Beyond concepts like Army modularity, something equally remarkable is taking place in the way in which we base our forces. We are changing fundamentally the character of our global stationing and, at the same time, we are going through a major effort to realign our basing posture to ensure that our basing structure here in the United States supports the essentially expeditionary character of most of our forces. This will also support the new requirements for homeland defense.

We are focusing on two key initiatives regarding global and stateside basing to ensure that U.S. forces and equipment are located where they can best respond to likely requirements of the security environment of the 21st century. The President's global posture restructuring will return 70,000 military personnel and 100,000 family members

to the United States, and relocate forces and equipment that will remain overseas. The 2005 Base and Realignment and Closure (BRAC) Commission will take this return from overseas into account when deciding how best to streamline and restructure the Department's installations here in the United States.

Along with these restructuring efforts, each of the military services is continuing to pursue key initiatives to manage more effectively the current demand on U.S. forces. Rebalancing forces in both Active and Reserve, for example, will give us an increase in high-demand units and personnel skills and a reduction in certain low demand units and skills. Military-to-civilian conversions are expanding the rotational base for military deployments and the support base for other core defense functions.

New Capabilities

The FY 2006 budget funds a balanced combination of programs to develop and field the capabilities most needed by America's military. It continues to focus more intensely on the most promising technologies. It continues to strengthen U.S. missile defenses. It accelerates the fielding of new networking technologies and other capabilities to make the new modular Army even more powerful. It continues the Navy and Marine Corps shift to a new generation of ships and related capabilities. It continues the acquisition of Air Force, Navy and other aircraft to sustain U.S. air dominance and provide strong airlift and logistics support to joint forces. And it advances development of new intelligence and communications capabilities with many times the capacity of existing systems.

Most importantly, the budget provides for our most valuable asset—our people—by maintaining the President's commitment to take care of our military men and women and their families. It includes a 3.1 percent increase in military base pay. It also includes an increase in funding to ensure continuing good health care, and it sustains our commitment to no average out-of-pocket costs for military members living in private housing. The budget also keeps the Defense Department on track to fully fund by FY 2007 the elimination of all inadequate military family housing units in the U.S., and to fund by FY 2009 the elimination of all inadequate units worldwide.

Gains in the War on Terror: Return on America's Investment

American soldiers, sailors, airmen, Marines and Coast Guardsmen, as well their civilian colleagues serving in the global war on terror, have performed magnificently. They have done everything that has been asked of them and more. As of February 28th, more than 1,600 Americans have given their lives in Afghanistan and Iraq and thousands more have been wounded to protect our freedom and encourage liberty's advance for people once enslaved by brutal tyranny.

The men and women of America's armed forces could not have pursued this

noble cause without the strong support of Congress. On behalf of the brave Americans who do serve and have served us so well, I'd like to thank the members of this Committee and the entire Congress for their continued bipartisan support.

Of course, because of all these efforts, we can point to some truly significant gains on the many and varied fronts in the global war on terror, some of which I mentioned earlier. But, we must not allow ourselves to become complacent just because this country has not been attacked in the last three years. We know that the terrorists are still actively plotting to do so, and we must maintain strong pressure on them and, if possible, intensify it.

As General Myers noted last week, U.S. forces got very close to Abu Musab al-Zarqawi, the al Qaeda terrorist who has been attacking and killing Iraqis to try to start a civil war. Life for him these days is lived on the run, in one secret hideout after another—especially as his lieutenants and trusted followers continue to be captured. In the regions that straddle the Pakistan-Afghan border, Pakistani armed forces, supported by active American operations on the Afghan side of the border, are putting intense pressure on al Qaeda leadership hiding in Northwest Pakistan.

Although capturing and killing terrorists is critically important, this struggle is not just about those activities alone. As President Bush said in his Inaugural Address, “The best hope for peace in our world is the expansion of freedom in all the world.” That means reaching out to mainstream Muslims who want freedom and democracy and prosperity.

Terrorists fear this bold course, which is why they fight to impose on their fellow Muslims a medieval, intolerant, tyrannical way of life.

It is this fear that prompted members of the Taliban to issue threats against Afghan voters. In Iraq, it is the fear of freedom and self-determination that also caused Osama bin Laden to declare war on the Iraqi people, calling them “apostates.” Zarqawi said they'd declared war on the evil principle of democracy, because it is based on the right to choose one's religion, a concept he declared was “against the rule of God.”

As we know, despite these threats, the Iraqi people exercised their newfound freedom and voted anyway. The story of Iraq's election is a story of enormous courage by 8-1/2 million Iraqis, every one of whom knew they were taking a personal risk to mark their fingers with that vivid purple ink, telling everyone, including the terrorists, exactly where they stood.

With this mass heroism, there were some extraordinary feats of individual heroism, including two Iraqi policemen who knowingly sacrificed their lives to tackle and stop suicide bombers who then blew themselves up. Two of the stories that have impressed me the most came from Arab neighborhoods in Mosul, one of the most intimidated areas in northern Iraq.

The first was told to me by Brigadier General Carter Ham, the commander of coalition forces in Mosul. In one polling station in a Sunni Arab neighborhood, a crowd of several hundred people gathered at a distance to watch. After the station had been open for two hours, still no one had voted. No one, that is, until one old woman said, “I’ve waited all my life for this opportunity,” as she stepped forward. The will to fight for freedom apparently does not diminish with age or infirmity. The rest of the people saw the courage of this elderly patriot, and they too came forward to vote.

The second story took place in another Arab neighborhood in Mosul, where the killers fired at a line of voters, wounding one of them. Instead of dispersing, these voters amazingly stayed in line. They crouched down to present a smaller target, and moved to put themselves between the attackers and the wounded voter while the Iraqi Army evacuated him.

It is difficult to imagine people anywhere in the world showing more courage and determination to vote in the face of intimidation. While our men and women deserve extraordinary gratitude and credit for making this achievement possible, as I am sure they would be the first to acknowledge, the real heroes on Iraq’s Election Day were the Iraqi people themselves.

As President Bush observed, by successfully conducting free elections, Iraqi men and women have taken rightful control of their country’s destiny. They rejected bin Laden’s false claims, and chose for themselves a future of freedom and peace.

As impressive as are January’s election and other gains, Iraqis still face a difficult road to defeat the terrorist threat and achieve stability, much less freedom and democracy. But our investment in training Iraqis to defend themselves has begun to pay off. And it will only continue to do so—especially as their growing ascendancy translates into a reduction of stress and strain on American troops—which is one of our key goals.

Closing

Our investments in the many fronts of the global war on terror have given us some important returns. But, we must remain resolved and patient going forward, for there is much yet to do. A problem that grew up in 20 or 30 years is not going away in two or three. We may recall how long we waged the Cold War, and how long it took to rebuild Western Europe. In both cases, we know how the story ends. We know that seemingly impossible challenges can be achieved—when leaders are determined to persevere ... and when the American people and their allies are resolved to stand firm for freedom.

Freedom is the glue of the world's strongest alliances and the solvent that has dissolved tyrannical rule. The same values that held the Allies together over the course of four decades of often contentious debates are the values that have brought some 40 countries into the Coalition effort in Afghanistan, more than 30 countries with us into Iraq, and some 80 or 90 countries into the larger coalition against global terrorism. The longing for freedom that penetrated even the Iron Curtain brought about the peaceful end to the Cold War. That same universal desire for liberty—among Muslims as well as non-Muslims—will be our strongest weapon in fighting fanaticism today.

The President's FY 2006 budget addresses our country's need to fight the war on terror, to support our men and women in uniform, and prepare to meet the threats of the 21st Century. It reflects difficult choices to ensure sufficient funding for our most pressing requirements and to advance capabilities that increase our combat power. Those difficult choices and our proposed transformation of the business of defense underscores our resolve to be wise stewards of taxpayer dollars.

This Committee has provided our country strong leadership in providing for the national defense and ensuring taxpayers' dollars are wisely spent. We look forward to continuing our work with you to achieve both of these critical goals.